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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

CIVIL SERVICE PAY DISPUTE: NEXT MOVES

Memorandum by the Lord President of the Council

Introductory

1. At my meeting with the Civil Service Unions on 5 June I told them that the Government was not prepared to improve on the proposals I had already put to them. They have now broken off discussions with us and have announced their intention of escalating industrial action. We do not yet know how much support they will get from their members. But we must be ready with counter-action of our own. There are two principal areas of action which should prove effective - pay and the independent enquiry.

The 7% pay increase

2. In the event of not arriving at a settlement with the Unions I have been anxious to find a way of using the 7% pay increase as a pressure point. I am not enamoured of the idea of imposing a 7% pay settlement - for though it has the advantage of ending once and for all any argument on this year's pay increase, it will be rightly presented as giving an extra 7% to people who are selfishly inflicting damage and inconvenience on others. Neither would I like to withhold the 7% until all disruption is ended. For it could drag on for quite a while - albeit only in pockets - and the innocent would be victimised.

3. The Law Officers have now come up with an ingenious scheme which they think is legally defensible and should have the effect of depriving only those who continue to strike or otherwise disrupt. Providing only those who can surmount the practical and operational difficulties (which I think we can) it should have a substantial financial impact on individual civil servants, and I would propose to implement it as soon as the necessary preparations are complete. The outline of the scheme is set out in Annex A.

Inquiry into Civil Service pay

4. An important card in holding moderate opinion in the Civil Service will be the inquiry into Civil Service pay arrangements for the longer term. This will demonstrate that we are serious in our declared intention to get back to an "agreed and ordered system". We need the Inquiry's report by July 1982 if we are to have a chance of getting the new system into operation for the 1983 settlement (which we have said is our aim). So we should set this up without delay.

5. Proposed terms of reference are in Annex B.

6. The composition of the inquiry must be such as to command public confidence. But it is also important that it should carry confidence in the Civil Service itself. It will be necessary to make appointments which cover a range of experience in industry and commerce, in trade unionism and of the Civil Service. I have put forward suggestions separately to the Prime Minister. There would be some presentational advantage in going for a Royal Commission but the question of status is less important than the need for members of stature and for speed.

Dealing with industrial action

7. We must be ready to respond to escalation of industrial action and do all we can to contain the damage. For example, Departments will need to be ready to co-operate with the police in dealing with any attempts to block supplies and mail. We must also not hesitate to make full use of Temporary Relief from Duty (TRD), except where to do so would bring serious disadvantages to management.

8. We have ready on a contingency basis legislation to enable us to lay off staff who are without work although they are themselves prepared to work normally. As drafted the Bill is aimed at the Civil Service alone but it would be bound to be seen as having wider ramifications throughout the industrial relations world and it must be seen to be necessary before we do it. Whether it will in fact be required is not yet evident but it well may be. The difficulty here will be to find time in the parliamentary programme.

Leave

9. We have looked into the position on leave. Leave is affected by industrial action; for every month's absence from work carries with it the loss of $\frac{1}{12}$ th of the annual entitlement to leave. Some staff have already been on strike for 3 months so they have

already lost $\frac{1}{4}$ of their annual leave. There are, legal obstacles to curtailing further the leave of staff who take industrial action.

Conclusions

10. I ask my colleagues to agree:-

- a. that I should have authority to introduce the pay penalties scheme described at Annex A;
- b. that I should announce our intention to go ahead with the inquiry into Civil Service pay arrangements for the longer term with terms of reference as at Annex B;
- c. that we should respond to industrial action with a more vigorous use of TRD.

CS

Civil Service Department

8 June 1981

SCHEME FOR IMPLEMENTING AN INCREASE OF 7% WITH AN INCENTIVE NOT TO TAKE INDUSTRIAL ACTION

Instead of following normal custom and practice and promulgating an increase in salary of 7% which would apply to all non-industrial civil servants from 1 April 1981 onwards, an announcement would be made that civil servants would be eligible for a 7% increase for each pay period falling between 1 July 1981 and 31 March 1982 in which they did not engage in industrial action (which for reasons of administrative practicability should be defined as industrial action leading to stoppage of pay). The announcement would fix an operative date a few days ahead to give staff proper warning. Thereafter, the increase of 7% for April-July 1981 would be paid at the end of July; but if individuals took industrial action between the operative date and the end of July, they would subsequently lose the increase for this four-month period. In effect, the scheme constitutes a conditional offer to individual civil servants acceptance of which would be indicated by acceptance of the 4 months accumulated increase.

2. The Law Officers' view is that the scheme gives a reasonable chance of success if challenged in the courts. It would not be easy to implement in practical terms but the lawyers are satisfied that simplified procedures could be used if applied carefully and sensibly.

3. There is a strong risk that the unions would attempt to circumvent the scheme by blacking its implementation. This could and should be met by strong use of TRD. If staff deliberately attempted to pay out more than was due to an individual, they would be liable to disciplinary proceedings.

Mechanics

4. If the industrial action is taken late in the pay period it will not in practice be possible to withhold the 7% increase from the pay packet at the end of that period. In that event it will be treated as an overpayment and recovered subsequently.

5. Pay for the Open Structure has already been promulgated and a scheme on these lines cannot be legally introduced there. Further consideration is being given to that aspect.

Pros and Cons

6. While the scheme will provide significant financial sanctions, there is a risk that it would encourage industrial action not leading to a deduction from salary but that should be containable by firm use of TRD. It could be argued that it will antagonise even moderate civil servants and further damage industrial relations and add to recovery problems.

7. Nonetheless, it will provide a deterrent to industrial action, and it has a logic which should appeal to parliamentary, public and media opinion. It is clearly a more measured response than simply imposing a 7% settlement for all.

Definitions and Coverage

8. The scheme would apply to all non-industrial civil servants other than the Open Structure - whether monthly paid or weekly paid.

9. In the case of monthly-paid staff, "pay period" is normally a calendar month. For weekly-paid staff, the "pay period" is a week.

10. Loss of eligibility for the 7% for any pay period would be triggered by a deduction from pay arising from industrial action (strike; TRD; or one of the reduced pay options). It would not apply if an individual lost pay as a result of unauthorised absence for any other reasons.

INQUIRY INTO CIVIL SERVICE PAY

The following terms of reference are proposed: "Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; to the need for good industrial relations in the Civil Service; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles and the system by which the remuneration of the non-industrial Civil Service should be determined, taking account of other conditions of service and other matters related to pay."